STATES OF JERSEY

STATES INVESTMENT STRATEGIES

Presented to the States on 20th December 2024
by the Minister for Treasury and Resources

STATES GREFFE

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INVESTMENT STRATEGIES - INTRODUCTION

1. INTRODUCTION

1.1. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2019 (Article 25) (the Finance Law) which requires that the Minister for Treasury and Resources (the 'Minister') presents his investment strategies for States Funds.

1.2. The States agreed the establishment of a States of Jersey – Common Investment Fund (the 'CIF') in P35/2010, approved by the States on 11th May 2010. Under this arrangement the majority of States Funds will be pooled for investment purposes.

1.3. This report outlines the investment strategies for each specified States Fund. The strategies reflect the Minister's long term strategic aims for each States Fund, it is the Ministers intention is that each States Fund will move towards its strategic aim as investment opportunities and market conditions allow.

1.4. This document also includes governance arrangements for States investments including strategies for the Pools of the CIF, through which States Funds will invest to meet their investment objectives.

1.5. Each of the following sections provides a high level overview of the more detailed content included in the corresponding appendices.

2. OVERARCHING INVESTMENT POLICIES

A number of overarching policies are applied to all States' investments, if not superseded by specific arrangements or legislation. These are split between Governance Arrangements outlining the responsibilities of the various bodies involved in the oversight of the States Investment Portfolios, Investment Policies, outlining specific guidelines applied to the CIF and Risk Management Statements, providing a high level overview of how particular risks are managed within the investment portfolio.

3. STATES OF JERSEY MAJOR FUNDS

3.1. The States Major Funds' investment strategies are summarised in the table below. Full details of each investment strategy are available in the appendix.

Funds	Equities %	Alternative Investments Class %	Fixed Income %	Cash %	Participating in Common Inv. Fund
States of Jersey Major Funds					
Strategic Reserve Fund	40	35	25	-	Yes
Stabilisation Fund	-	-	100	-	Yes
Social Security (Reserve) Fund	53	40	5	2	Yes
Health Insurance Fund	-	-	50	50	Yes (1)
Consolidated Fund	-	-	-	100	Yes (1)
Currency Notes and Coins Fund	24	27	24	24	Yes (1)
Housing Development Fund	-	-	-	100	Yes (1)
Fiscal Stimulus Fund	-	-	-	100	Yes (1)
Climate Emergency Fund	-	-	-	100	Yes (1)

(1) monies required for working balances will be held outside of the States of Jersey – CIF

4. STATES EMPLOYEES PENSION FUNDS

4.1. The two major Pension Funds are the Public Employees' Pension Fund (PEPF) and the Jersey Teachers' Superannuation Fund (JTSF), the investment strategies and governance arrangements of these Funds' are subject to specific legislation. Accordingly their investment strategies are outlined in separate published documents issued by their governing bodies.

For further information please see the appropriate appendices to this document.

5. SPECIAL FUNDS

5.1. The Special Funds' investment strategies are summarised in the table below. Full details of each investment strategy are available in the appendices to this document.

Funds	Equities %	Alternative Investments Class %	Fixed Income %	Cash %	Participating in Common Inv. Fund
Special Funds					
Tourism Development Fund	-	-	-	100	Yes[1]
Channel Islands Lottery (Jersey) Fund	-	-	-	100	Yes[1]
Dwelling Houses Loan Fund	-	-	75	25	Yes[2]
Ecology Fund Investment Strategy	54	-	44	2	Yes[1]
Long-Term Care Fund	-	-	50	50	Yes[1]
Jersey Reclaim Fund	20	30	25	25	Yes[1]

(1) monies required for working balances will be held outside of the States of Jersey – CIF

(2) the loan book will be held outside of the States of Jersey – CIF

6. TRUST AND BEQUEST FUNDS

6.1. The Trust and Bequest Funds' investment strategies are summarised in the table below. Full details of each investment strategy are available in the appendices to this document.

Funds	Equities %	Fixed Income %	Cash %	Participating in Common Inv. Fund
Trust and Bequest Funds				
Estate of A H Ferguson Bequest	55	43	2	Yes
Rivington Travelling Scholarship	55	43	2	Yes
Estate of A H Ferguson Bequest	55	43	2	Yes
The Lord Portsea Gift Fund	55	43	2	Yes
Le Don de Faye Trust Fund	55	43	2	Yes[1]
Estate of A H Ferguson Bequest	55	43	2	Yes

(1) The holding of the Fund in Jersey Water will be held outside of the States of Jersey – CIF

(2) In a restructure of the Fixed Income Class, the underlying asset classes havebeen combined into single 'Return Seeking Credit' pool, designed to be more flexible and allow the Pool react to market conditions.

Two Trust and Bequest Funds hold significant Jersey Property in their portfolios which is in the process of being rationalised. The below asset allocations represent interim strategies pending details of property liquidation after which these strategies will be re-reviewed and reissued.

Funds	Equities / Jersey property %	Fixed Income %	Cash %	Participating in Common Inv. Fund
Other Funds				
Estate of E J Bailhache	70	28	2	Yes
Estate of H E Le Seelleur	70	28	2	Yes

7. OTHER FUNDS

7.1. The Other Funds' investment strategies are summarised in the table below. Full details of each investment strategy are available in the appendices to this document.

Funds	Equities %	Alternative Investments Class %	Fixed Income%	Cash %	Participating in Common Inv. Fund
Other Funds					
Confiscation Funds	-	-	-	100	No
Jersey Post Office Pension Fund	-	-	93	7	No

8. STATES OF JERSEY – COMMON INVESTMENT FUND

8.1. The States of Jersey – CIF currently operates a number of investment pools (see Appendices for full details of each investment strategy for each pool). To pursue their strategic objectives, States Funds ('Participants') may purchase 'units' in any of these pools in accordance with their investment strategies. Units represent a claim on the NAV (Net Asset Value) of the Pool in proportion to the unitholding.

8.2. The investment pools currently available are as follows:-

- Active Global Equity Pool
- Special Fund Equity pool
- Return Seeking Credit Pool
- Short Term Gilt Pool
- Long Term Cash and Cash Equivalents Pool
- UK Pooled Property Pools
- Hedge Fund Pool
- Opportunities Pools
- Local Infrastructure Investments
- Alternative Risk Premia Pool

8.3. As conditions dictate, further pools may be established over time to react to or to take advantage of market conditions. Changes or additions to the CIF Pools will be published in this document.

8.4. A unit value is determined at the end of each month through the division of the Net Asset Value of the CIF pool, as determined by the independent Custodian, divided by number of units in issue, this is deemed the 'Strike Price'. On the first day of the month Participants are free to purchase or sell units at this Strike Price. The Strike price is designed to allow money to be added to or removed from the Pool at the prevailing price so as to have no impact on other Participants. When money is added or removed from a Pool, the 'Treating Participants Fairly' policy, as outlined in the Investment Policy section of this document will apply.

8.5. Over time further Special and Trust and Bequest Funds may join and invest through the CIF, investment strategies for these Funds will be added accordingly. Existing investment strategies will continue to be reviewed and revised on an ongoing basis to reflect any changes made.

APPENDICES CONTENTS PAGE

OVERARCHING INVESTMENT POLICIES

Governance Arrangements *(relates to all except Pension Funds)*

1. The Minister is responsible for the development of investment strategy for States Funds, these Strategies are outlined in this document. In line with the requirement of the Law, as soon as practical after the Minister has prepared the investment strategy, or any review of it, the Minister must present it to the States.

1.1. The Treasurer of the States (the 'Treasurer') is responsible for ensuring that any investments so made are properly managed, controlled and accounted for in accordance with the investment strategy.

1.2. To achieve this the Treasurer is empowered to appoint any investment managers required by virtue of the investment strategy; and may appoint such other suitably qualified and experienced investment managers, custodians, agents, investment advisers and other persons as the Treasurer considers necessary or convenient to enact the investment strategy.

1.3. The Minister and Treasurer have a range of powers and responsibilities relating to treasury matters provided for through the Public Finances (Jersey) Law 2019 and associated Regulations. The Treasury Advisory Panel ('TAP') is established by the Minister to provide advice on discharging these responsibilities and exercising relevant powers. The primary focus of the Panel is to advise on matters relating to investment and specifically in the provision of oversight of the CIF.

1.4. The full duties, responsibilities and rights of the TAP are detailed within their Terms of Reference which are available online.

Investment Policies

1.5. **Investment Advice**
It is expected that an Independent Investment Advisor (the 'Investment Advisor') will be appointed to provide advice to the TAP but also to the Treasurer and Minister.

1.6. **Appointment of investment managers**
Where appropriate, independent investment managers are to be appointed to manage the assets of States Funds in order to comply with their respective investment strategies. These Managers are appointed by the Treasurer but are expected to be scrutinised and recommended by the TAP who will oversee a rigorous selection process supported by the Investment Advisor.

1.7. **Investment pool characteristics**
Investment pool characteristics are to be maintained in the CIF – Investment Pool Strategies section at the end of this Strategy document. Constituent managers will be appointed and sized with the intention of delivering these characteristics. Manager allocations will be periodically reviewed by TAP to ensure they remain aligned with these descriptions.

1.8. **Performance monitoring**
Performance of managers is monitored against their specific performance target. The performance of managers against these targets is assessed formally by the TAP who meet at least quarterly. As well as monitoring by the TAP, performance is reviewed by the Treasury and Investment Management Team and managers are under constant review by the appointed Investment Advisor both of whom will report by exception to the TAP on identification of any significant issues.

1.9. Investment managers are subject to challenge by the TAP who periodically require managers to present on performance and adherence to their mandate. Managers would be expected to explain any underperformance against target together with their plans to return to target.

1.10. **Reporting**
The Minister will report on the performance of both the CIF and the States Major Funds in the

Annual Accounts. The TAP shall produce a report, at least annually, addressed to the Minister to describe the performance and position of the States Investment Portfolio.

1.11. **Independent Custodians**
In order to safeguard States interests and assets and to mitigate risk, independent custodians are appointed to hold investment assets, except in cases of direct local infrastructure investment or where a custodian is appointed directly by the investment managers.

1.12. **Operation of the Investment Strategy**
The primary driver of the long term return of a States Fund investment strategy is its asset allocation. Investment Strategies presented by the Minister include a strategic aim and investment ranges across a broad range of assets. This allocation is reviewed by the TAP at least annually to ensure the strategies remain appropriate.

1.13. The TAP review and make recommendations to the allocation of States Funds' assets between the various Pools within the broad asset class defined within the investment strategy. This may include pools with various geographic, style or sector tilts. The TAP may recommend allocation of assets within the strategic ranges defined in the Strategy in reaction to market conditions or may recommend modification to those ranges/aims.

1.14. **Rebalancing of Funds within Strategic Ranges**
Market movements will shift the asset allocations of States Funds potentially moving them outside the strategic ranges defined in their strategies. States Funds' positions are reviewed frequently and movement outside of strategic ranges prompts rebalancing. Rebalancing of States Funds is not automatic and must be considered in line with the circumstances of the States Fund. Future cash flows may provide opportunity for cost effective rebalancing of positions.

1.15. **Divergence from Strategic Ranges**
When considering investment ranges the TAP are cognisant of the costs of rebalancing against the risks associated with movement away from a States Funds' long term strategic aims. In order to properly manage risk, it is anticipated that under certain circumstances, as deemed appropriate by the TAP, movement away from a States Funds' strategic aims and outside investment ranges may be necessary and is permissible without modification to Strategy.

1.16. In these cases the TAP would be expected to assess whether the movement outside the strategic ranges was short term or long term and assess the risks associated with such movements. It would be expected that long term movement outside strategic ranges would prompt recommendation of amendment to the Investment Strategy Document or rebalancing.

1.17. **Treating Participants Fairly**
The overriding principle to the administration of the CIF will be to treat all Participants fairly. The purchase and sale of units and the adding and withdrawal of monies from underlying investment pools will inevitably lead to costs being incurred by the pool. Where material costs are incurred, the expectation is that action will be taken to internalise those costs and apply them to the Participant responsible, mostly likely through the addition of a bid/ask spread. Spreads will be added the value of units purchased/sold, to compensate for the costs and so not to disadvantage the other Participants. Where spreads are applied to transactions where possible Treasury will seek to estimate an appropriate spread based on the actual transaction. Otherwise spreads will be calculated based on both historic and best available data and approved by the Director of Treasury and Investment Management.

A CIF unit represents a liability by the Pool to Participants, underwritten by assets held by that specific pool. Liquidity of the Pool is administered by Treasury, who will liquidate assets of the pool as they see fit to meet divestment requests, whilst at all times ensuring that such liquidations do not disadvantage other Participants and preserves the principle of treating participants fairly.

The liquidity of units reflects the underlying assets of a pool in totality, the liquidity of units cannot exceed the liquidity of the underlying assets. Liquidity attributable to an individual Participants is determined in proportion to their share of the overall Pool, for example if a third of the pool is immediately liquid, a third of each Participants unitholding is deemed to be immediately liquid. This principle is designed to ensure liquidity is not supplied to one Participant at the cost of another. Liquidity above this threshold will be supplied on a best endeavours basis but at all times in compliance with the principle of equal treatment and fairness to all Participants.

1.18. **Statement on Currency Hedging**
The States of Jersey maintains investments that may be denominated in currencies other than sterling. Where the States is exposed to the risk posed from foreign currencies, the following policy appli**es:**

1.19. Global equities are not, under normal circumstances, hedged back to Sterling. Bonds within the CIF may be hedged but this is typically dealt with within the underlying investment vehicle through which the CIF invests and managed by the Investment Manager. The majority of the foreign currency risk within the CIF's Hedge Fund Pool is hedged within the underlying investment vehicle by the Investment Manager. Where this is not possible, for example due to the lack of a sterling share class, 95% of the exposure will be hedged within the pool.

1.20. Under advice from the TAP further hedging arrangements, in addition to those described above, may be entered into to protect the States Investments from movements in exchange rates to which they would be exposed, this includes (but is not limited to) the use of currency derivatives.

1.21. **Responsible Investment Policy**
The Minister and Treasurer have a duty as long-term stewards of capital to invest responsibly and the consideration and integration of all financially material factors, including environmental, social and corporate governance (‘ESG’) issues are intrinsic to this objective.

1.22. The most effective way in which to carry out this duty is to fully integrate ESG considerations into the investment process and to engage with underlying portfolio companies, and any decision should not apply personal, ethical, or moral judgements.

1.23. **Responsible Investment Approach**
The importance of responsible investment and managing exposure to risk such as climate change is acknowledged. The TAP has been tasked by the Minister with taking the following steps to monitor and assess ESG related risks and opportunities:

- A large portion of the Common Investment Fund's ("CIF") assets are invested in pooled investment vehicles. Where this is the case, it is difficult for the TAP to explicitly impose its own responsible investment beliefs on the underlying investment manager. The TAP will, however, seek to use its position as a large investor to influence the responsible investment approach of managers, and ensure they follow best practice.

- As part of ongoing monitoring of the TAP’s investment managers, the TAP will use ESG ratings information provided by its investment adviser, where relevant and available, to monitor the level of the investment managers' integration of ESG.

- The TAP will also monitor how the CIF's managers integrate ESG into their investment decision-making process when presenting at annual asset specific review days, asking the managers to provide specific examples in each case.

- There is an annual review of a comprehensive dashboard, provided by TAP’s investment adviser, which includes market research and aggregate portfolio analytics to provide insights on how well aligned the underlying managers are to TAP’s responsible investment objectives. This information is tracked over time to understand the investment managers’ direction of travel, with regards to ESG integration and any responsible investment policies.

- Alignment to the United Nations ‘Sustainable Development Goals’ (‘SDGs’) is being incorporated into TAP’s review process and explored in more detail in section 1.28.

- There are some strategies in which the CIF is invested where responsible investment beliefs are more difficult to foster, or may adversely impact the underlying investment strategy. Such strategies may include:

- Strategies that use broad market derivative instruments (rather than investing directly in underlying companies) to achieve their investment objective. In these instances, it may not be possible to engage with companies or apply any specific ESG views;
- Strategies that also seek to profit from a fall in an underlying company's share price (i.e. "short" companies). In these instances, strategies may involve identifying companies with poor ESG controls or other financial factors to generate a return, and therefore any specific ESG views may prevent the strategy from achieving its objective;
- Strategies that only intend to hold underlying companies for a short period of time (most typically systematically traded strategies). In these instances, the short holding period may provide little scope for engagement with underlying portfolio companies or applying specific ESG views.

- When assessing the merits of new investment opportunities as part of the selection process, the TAP considers how a manager will integrate ESG factors into their investment policies. All responses will be reviewed and monitored with input from the TAP's investment adviser.
- There may be some instances where the TAP is able to consider sustainable or "impact" strategies that actively seek to invest in companies that have positive ESG credentials. The TAP will consider the financial and investment merits in the same way as other investment opportunities and recommend investment only if the case for the strategy is sound.

1.24. **Net Zero by 2050**

The States of Jersey are committed to reaching net zero emissions by 2050, TAP is supportive of this goal and is taking steps to consider implementation of an equivalent policy through the investment portfolio. The CIF seeks to pursue a strategy not only diversified across sectors and regions, but also across the range of different asset classes and strategies employed.

1.25. There are challenges to a net zero target. Certain sectors face steeper hurdles in progressing towards decarbonisation, due to current technological and economic limitations. Some geographies, namely emerging markets, may not have the resources or incentives to provide thorough environmental reporting. Furthermore, asset classes which principally utilise derivatives (hedge funds), unlisted assets (direct lending), or more esoteric assets (insurance linked securities), may not have standardised emission quantification methodologies (as yet). Data availability also impacts the ability to make reliable and comparable reporting on carbon emissions for these asset classes.

1.26. Achieving a net-zero target requires continuous adaptation, strong data infrastructure, strategic shifts in asset allocation, and possibly rethinking traditional return expectations. Portfolios will need a robust, flexible strategy and often a long-term commitment to bridge this challenging transition. TAP intends to approach this aim on an asset class by asset class approach, identifying where pursuit of a net zero target is achievable and can be supported with robust data and effectively implemented, without adding material bias or risk to the portfolio.

1.27. Where reporting on climate-related metrics can be reliably obtained, TAP will ensure the data is captured and reviewed at least annually to support the continued evolution of the overall responsible investment approach of the CIF. It is important to note that TAP still believes an engagement approach offers the greatest opportunity to improve global outcomes, and therefore the addition to the portfolio of a carbon intensive investment taking positive steps to reduce carbon emissions may be a more positive development than an existing low carbon investment, even if overall carbon intensity statistically worsens. Capturing and integrating metrics to understand the consequences of our actions poses a challenge, but steps have been taken to develop a framework to systematically monitor and report the CIF. This will likely continue to evolve over time as reporting standards and the quality of the data evolve.

1.28. **United Nations Sustainable Development Goals Alignment**
TAP intend to use the SDGs to ensure the investment managers align their activities in a way that enhances long-term value creation, promotes positive social and environmental impact, and manages risks associated with sustainability.

1.29. Given investment is carried out through investment mandates to third parties, TAP expects to align towards SDGs through indirect actions. This includes a requirement to assess SDGs alignment during the manager selection process, and incorporate questions on the topic during manager review meetings (where decisions to retain or remove managers are made). Benchmarking SDGs alignment is a challenge, TAP recognises this is an area which is expected to develop further.

1.30. As described in the previous section, 'Net zero by 2050', different asset classes are expected to have a varying ability to align their investment activities with SDGs, a manager trading derivative will have a drastically different ability to influence real economic activity relative to a manager holding shares in a company. Likewise, the ability of a passive mandate, which must replicate an index, can be more challenged to align activity with SDGs, than an active mandate with a portfolio concentrated in a few names.

1.31. Over the course of 2025, TAP looks to identify measurable benchmarks on an asset class by asset class basis, to monitor and track performance over time. TAP intends to focus its attention on specific SDGs over which the CIF can have the most material impact and those that impact the Island most directly. This assessment is under way and will form the basis on internal reporting to the Minister.

1.32. **Stewardship – Voting and Engagement**
The importance of the Minister's and the Treasurer's roles as stewards of capital is acknowledged and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which the investments reside ultimately serves to protect the financial interests of the States' assets.

1.33. The CIF's investment managers are expected to use their influence as major institutional investors to carry out the rights and duties of the States of Jersey as a shareholder including voting, and where relevant and appropriate, engaging with underlying investee companies.

1.34. **Disclosure and Reporting**
Transparency and disclosure are required from all appointed investment managers, including reporting on voting and engagement progress and success.

1.35. The growing importance of responsible investment is recognised and that this is a matter of public interest. On a periodic basis, the TAP has been tasked with providing a report to the Minister detailing how the CIF's investment managers are undertaking these activities in comparison to their policies and relevant codes of practice. This will include details of how relevant investment managers have voted on behalf of the TAP and details of discussions that have taken place with investment managers as part of the annual asset class review days that are carried out throughout the year.

1.36. **Commitment**
It is acknowledged that the portfolio's approach to responsible investment will need to continually evolve, both due to the changing landscape with respect to ESG issues as well as broader industry developments. The Minister has tasked TAP with making ongoing improvements to the CIF's approach and the processes that underpin the delivery of this policy to ensure it remains up to date and relevant.

1.37. As part of this, the TAP will continually review best practice amongst other large institutional investors, to ensure its policies and approach remain appropriate. This policy will be reviewed on a periodic basis to ensure it is fully aligned with the investment objectives of underlying participant investors and broader governance matters.

Risk Management Statements

1.38. The States of Jersey is exposed to risk through its holdings of financial instruments both through its operational activities and through its investment portfolios. The States hold financial instruments for a variety of purposes however by far the most material concentration are held within the States Investment Portfolio which is predominantly invested through the CIF.

1.39. Assessment and control of risk is integral to the management of the States investment portfolios. The objective of the risk management is to identify, manage and control risk exposure within acceptable parameters, whilst optimising the return on that risk.

1.40. Risk management effectively takes place at two levels, the Fund level, and the Pool level. At the Fund level risk is primarily managed through control over the exposure to, and diversification across, underlying asset classes. This is summarised as an asset allocation within the investment strategy published for each Fund within this document. Exposure to asset classes is achieved through investment across the individual Pools of the Common Investment Fund. Risk at the Pool level is managed by the appointed investment managers who operate investment mandates designed to appropriately control risk within strictly controlled guidelines.

1.41. Investment strategy and risk management is overseen by the TAP under the advice of the States Investment Advisor, Aon Hewitt. As part of their standing agenda TAP maintain and review a risk matrix assessing the key risks associated with the portfolio. The key risks are under constant review and those directly impacting the portfolio are summarised below:

1.42. **Strategic Risk**
The risk an investment strategy is incorrectly aligned with the requirements of the Fund and consequently the Fund has a sub optimal chance of meeting its strategic objectives.

1.43. Investment objectives are considered and defined in the strategy for each States Fund and used to build an appropriate asset allocation designed to meet those objectives over the appropriate timescale. It is recognised that the strategic asset allocation of States Funds will be the most significant determinant of long term investment returns and portfolio asset value stability. Appropriate asset allocation is therefore a key driver of risk management. The associated risk inherent in these allocations is managed through conducting appropriate due diligence in preparation and review of investment strategies.

1.44. Investment strategies are reviewed by the TAP at least annually or more regularly if prompted by a change of circumstances and take into account factors such as diversification, correlation, time horizon and liquidity requirements.

1.45. **Manager Risk**
Manager risk is the broad risk which encompasses losses arising from the mistakes, negligence, and underperformance of the Investment Managers in the discharge of their responsibilities in the management of a financial portfolio.

1.46. In assessment of manager risk we have differentiated between performance risk, the risk that the investment manager underperforms their relative benchmark, and operational risk, the risk that the investment manager fails to adequately discharge their responsibilities and comply with requirements of their underlying mandate.

1.47. Performance risk is managed through the initial selection of Investment Managers, ongoing monitoring of performance and through diversification across managers to manage concentration risk. Appointment and dismissal of Investment Managers is subject to the recommendation of the TAP following appropriate scrutiny supported by the Investment Advisor.

1.48. Ongoing performance of Investment Managers is monitored on a monthly basis and reported and scrutinised by the TAP on a quarterly basis. Performance is reported against a benchmark, but this is only one part of a wider monitoring process applied by the TAP which includes ongoing manager assessment by the Investment Advisor. This incorporates their view of the manager’s ability to meet their performance objectives on an ongoing basis.

1.49. With regard to the operational risk, the Investment Advisor conducts a continuous monitoring program over the managers and reports both by exception and at the quarterly meetings of the TAP. Operational due diligence is carried out by an experienced team at the Investment Advisor and includes both on site visits and examination of internal control reports, where produced.

1.50. Limits are placed to ensure assets do not become overly concentrated with a single manager or strategy, holdings relative to limits are monitored and reported quarterly to the TAP. Where the maximum limit on a pool is reached, the pool can be expected to be closed to new investment and plans put into place to reduce the concentration.

1.51. Investment managers are appointed by the Treasurer under the advice of the TAP to meet pool investment objectives as defined in the pool strategies published within this document. The TAP take into account factors such as, but not limited to, diversification, factor exposure and concentration risk during the appointment process and monitor ongoing manager performance and pool characteristics.

1.52. **Interest Rate risk**
The States are exposed to interest rate risk through holdings in interest bearing assets held both directly or indirectly through Fund structures. Asset classes most heavily exposed to interest rate risk includes the Cash, UK Government Bonds, and Return Seeking Credit.

1.53. UK Government Bonds
UK Government Bonds are held directly within the Short Term Government Bond Pool of the CIF. This pool is passively managed and interest rate risk is managed through limiting the duration of the States holdings. The average effective duration of the gilt portfolio is a measure of the sensitivity of the fair value of the holding to changes in market interest rates. The average maturity of the gilt holding is maintained at a constant level to limit the duration of the pools.

1.54. Return Seeking Credit and Cash
Assets within the Return Seeking Credit and Cash Pools are actively managed by external managers. The investment managers are responsible for the management of interest rate risk. Some managers may, subject to restrictions, utilise derivative instruments such as futures, options, and swap agreements to modify duration. Risk management within the collective investment vehicles is carried out in line with each vehicle’s individual mandate and investment restrictions. Compliance with mandate conditions is monitored by the Investment Advisor as part of their ongoing operational due diligence review and reported to the TAP, this is considered further in the manager risk section of the document.

1.55. **Liquidity Risk**
Liquidity risk is the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss or liquidated to meet States Fund drawdowns when they becomes due.

1.56. Cash flow are forecast for relevant States Funds to ensure that sufficient short-term cash is available to meet monthly cash requirements. Sufficient liquid assets are maintained in the Consolidated Fund to meet all States’ short term requirements.

1.57. Each States Funds’ investment strategy is prepared taking account of cash and liquidity requirements, these strategies are reviewed by the TAP at least annually. The TAP also periodically review the level of liquidity available within the CIF at a strategic level. From an operational perspective management of liquidity is within the mandates of appointed pool managers.

1.58. **Credit and Counterparty Risk**
Credit and Counterparty Risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation. This is most commonly associated with default by fixed income instruments such as a corporate bond or gilt.

1.59. The main concentration to which the States is exposed arises from investment in fixed income and cash class assets this includes holdings of cash and cash equivalents outside the CIF held for operational purposes. The approach to risk has been split between the fixed income asset classes as detailed below.

1.60. Gilts
UK Gilts are held within the Short Term Government Bond Pool and are dependent on the solvency of the UK Government. The credit rating of the UK Government is Aa1; this rating is monitored by the Investment Advisor who reports on the Bond pool both at the quarterly TAP meetings and by exception.

1.61. Fixed Income
Assets within this asset class are typically invested through investment vehicles, these vehicles indirectly expose the CIF to credit risk. Credit risk within these investment vehicles is managed by Investment Managers through diversification and selection of securities, Investment Managers may, subject to restrictions, also use derivative instruments such as futures, options, and swap agreements for hedging purposes. Risk management within the investment vehicles is carried out in line with each vehicle's individual mandate and investment restrictions.

1.62. Cash
Cash held for investment purposes is held by the States Cash Manager, Ravenscroft on a daily basis. Ravenscroft manage both the investments within the CIF and accounts outside the CIF for holding operational monies. To control credit risk, Ravenscroft operate a mandate which enforces counterparty rating limits, concentration limits and maturity limits.

1.63. **Foreign Currency Risk**
Foreign Currency Risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling.

1.64. The States is exposed to currency risk through its investments denominated in currencies other than sterling. Currency is considered to be included in the opportunity set available to CIF active managers and incorporated into the risk/return profile of investment pools. The option to enter into hedges to reduce exposure is outlined in the 'Statement on Currency Hedging' within the States overarching investment policies.

1.65. **Market Price Risk**
Market price risk is the risk that the value of a States Fund's investments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Funds might hold. It represents the potential loss the Funds might suffer through holding market positions in the face of price movements.

1.66. Market Price risk is managed via asset allocation at the strategic level it is also managed by Investment Managers at the operational level through tools such as diversification and selection of individual securities. The operational controls employed by the managers are included within their investment management agreements, scheme rules or equivalent. As well as being considered in detail on appointment, compliance with mandate conditions is monitored by the Investment Advisor as part of their ongoing operational due diligence review and reported to the TAP.

STATES OF JERSEY MAJOR FUNDS

These strategies relate to the largest States of Jersey Funds separately constituted under Jersey Law. Each of these is included in the annex to the States financial accounts where further details of the annual performance and investment portfolio constituents as at the year-end can be found.

Strategic Reserve Investment Strategy

1 Purpose of the Strategic Reserve

1.1 On 5 December 2006, the States approved P133/2006 and thereby confirmed the policy for the Strategic Reserve as:

1.2 "*the Strategic Reserve is a permanent reserve, where the capital value is to be used in exceptional circumstances to insulate the Island's economy from severe structural decline such as the sudden collapse of a major Island industry or from major natural disaster.*"

1.3 The States approved P.122/2013 defined the balance of £651,216,000 as at 31st December 2012 as the capital value of the Strategic Reserve and that, for future years, the capital value be maintained in real terms by increasing the capital value in line with increases in Jersey RPI(Y).

1.4 The States also approved P84/2009 which proposed that the policy is varied to enable the Strategic Reserve to be used, if necessary, for the purposes of providing funding of up to £100 million for a Bank Depositors Compensation Scheme.

1.5 The States approved P.76/2015 proposed that the Minister is requested to bring forward proposals for the use of income earned on the Strategic Reserve above that required to maintain the capital value.

1.6 The clarification of the purpose of the Strategic Reserve by the States enables greater emphasis to be given to increasing the longer term value of the Strategic Reserve rather than the need to generate annual income. This has enabled an increase in the proportion of the Strategic Reserve being allocated to return seeking assets from previous levels, but considerable emphasis still needs to be given to capital preservation and liquidity.

2 Strategy

2.1 In order to meet the purpose of the Strategic Reserve the Minister has set a strategic aim of investing a diversified mix of return seeking assets and risk reducing assets as detailed below:-

	Strategic Aim %	Range %
Equities	40	30-50
Fixed Income	25	0-35
Cash	-	0-10
Alternative Investments Class	35	0-45

2.2 Alternative assets may include allocations to the Property Pool, Hedge Fund Pool, Alternative Risk Premia and Opportunities Pool. Due to the reduced liquidity of some of these asset classes, automatic rebalancing with ranges is not appropriate. Short term movements away from strategic allocations are therefore permissible either due to market movements or transitionally as positions are built. This will not be deemed to be a breach of Strategy and the TAP are expected to keep asset allocations under review.

2.3 Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

2.4 Other asset class specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

3 Investment Structure

3.1 The Strategic Reserve may carry out its investments through the CIF.

4 Investment in Jersey

4.1 Investment is not generally made in Jersey, or in Jersey quoted companies. This is to ensure that as far as possible, the assets are diversified away from the effects of the Jersey economy.

Stabilisation Fund Investment Strategy

1 Purpose of the Stabilisation Fund

1.1 The purpose of this Stabilisation Fund is to provide a reserve which can be used to make Jersey's fiscal policy more countercyclical in order to create a more stable economic environment. The Stabilisation Fund receives cash allocations in more buoyant economic conditions and makes payments at times of anticipated economic downturn.

1.2 Given the purpose of the Fund, the strategy seeks to avoiding holding assets that are likely to be materially impaired in a market downturn.

1.3 The Fund seeks to hold assets which would remain liquid in the event of a major market downturn or economic event.

2 Strategy

2.1 In order to meet the purpose of this Stabilisation Fund the aim is to invest in line with the parameters indicated below:-

	Strategic Aim %	**Range %**
Government bonds	100	90-100

2.2 Specific limits such as concentration limits or leverage limits will be dealt with at the level of the investment pool.

2.3 The Stabilisation Fund is expected to be utilised in periods of economic stress but may be left with frictional balances. When the Fund holding is below £1 million 100% of the portfolio may be held in cash so the low balance can be efficiently managed.

3 Investment Structure

3.1 The Stabilisation Fund may carry out its investments through the CIF.

Social Security (Reserve) Fund Investment Strategy

1. Purpose of the Social Security (Reserve) Fund

1.1. The Social Security (Reserve) Fund (the “Reserve Fund”) is the mechanism by which contribution rates and ceiling changes which fund pension and benefit costs of the Social Security Fund are smoothed over time. It effectively acts as a buffer to contribute towards the rising burden of pension costs as the Island faces up to the pressures arising from an ageing population. The Minister is responsible for the investment of the Reserve Fund’s assets. The Minister for Social Security has responsibility for the development of a strategy to deal with meeting future pension provisions for eligible islanders.

1.2. The number of persons in receipt of a State pension as a percentage of the working population is expected to increase over time. The purpose of the Reserve Fund is to build up a reserve for the future provision of pension benefits for those currently in employment, so as to reduce the impact of higher pension costs on future generations, as well as to smooth contributions for social security benefits over time.

1.3. Long term growth is one of the main aims for the Reserve Fund and therefore any income generated is reinvested. It is expected that there will be no requirement to draw on the assets of the Reserve Fund in the near term and during this period there will continue to be net cash inflows.

2. Strategy

2.1. In order to ensure that the Reserve Fund can work towards its objective of longer term growth its strategy is to place a high proportion of its assets in return seeking investments.

2.2. The longer term strategic aim for the Reserve Fund is to invest within the parameters indicated below:-

Asset Class	Strategic Aim %	Range %
Equities	53	43 - 63
Fixed Income	5	0 –10
Cash	2	0 – 4
Alternative Investments	40	30 - 50
Hedge Funds	*15*	
ARP	*5*	
Property/Local infrastructure	*5*	
Opportunities	*15*	

2.3. As the Reserve Fund is subject to three yearly actuarial reviews the outcomes may result in a need to redefine the investment strategy. Last actuarial review was completed based on 2021 year end and reported in June 2023, following TAP review of the investment strategy the current asset allocation was recommended.

2.4. Alternative assets may include allocations to the Property Pool, local infrastructure, Hedge Fund Pool, Opportunities Pool, and Alternative Risk Premia Pool. Target allocations are included but due to the reduced liquidity of some of these asset classes, automatic rebalancing with ranges is not appropriate and therefore ranges are not included for individual alternative classes. Short term movements away from strategic allocations are therefore permissible either due to market movements, transitionally as positions are built or where positions are expected move towards target allocations over time. This will not be deemed to be a breach of Strategy.

2.5. The Reserve Fund includes an allocation to Local Infrastructure, this is the purchase of the new States Office made in 2025, which will generate long term cash flows for the Fund through an inflation linked rental payments from the Government of Jersey over a 25-year period.

2.6. In the case of allocations to asset classes where capital commitments are drawn over time, for example the Opportunities Pool, a long-term strategic allocation will be an aspirational target which is built towards over time. Care will be taken to achieve the allocation however the asset allocations cannot be rigidly applied, and the TAP are expected to keep asset allocations under review.

2.7. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

2.8. Other asset class specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

3. Investment Structure

3.1. The Reserve Fund may carry out its investments through the CIF

4. Investment in Jersey

4.1. A maximum of 5% of the Fund may be invested in Jersey except where a Jersey company is part of an established index. This is to ensure that the assets are diversified away from the effects of Jersey's economy.

Health Insurance Fund Investment Strategy

1 Purpose of the Health Insurance Fund

1.1 The Health Insurance Fund is established under the Health Insurance (Jersey) Law 1967. The Health Insurance Fund receives allocations from Social Security Contributions, as specified under Article 30 of the Social Security (Jersey) Law 1974 for the use of paying all claims for money benefit (GP subsidy) and pharmaceutical benefit. The Minister for Social Security has responsibility for the control and management of the Health Insurance Fund.

1.2 The Minister is responsible for the investment of the Health Insurance Fund's assets. The Minister may, after consultation with the Minister for Social Security, appoint one or more investment managers.

2 Strategy

The use of the Health Insurance Fund as a source of funds for the Jersey Care Model has been paused. Until the objective of the Fund has been determined, the Fund strategy seeks to reduce the risk exposure and preserve capital value to ensure assets are available to meet potential cash flows as they fall due. The long term sustainability of the Fund is under consideration and once decisions regarding the Funds future have been concluded the strategy will be reassessed.

2.1 The strategic aim for the Health Insurance Fund is to invest within the parameters indicated below:-

Asset Class	Strategic Aim %	Range %
Fixed Income	50	40 – 60
Cash	50	40 – 60

2.1 The Fund is subject to actuarial reviews at five year intervals. Last actuarial review was completed based on 2021 year end and reported in June 2023, triggering the TAP review in 2024 where no change of the strategy was recommended.

2.2 Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool

2.4 Other asset class specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

3 Investment Structure

3.1 The Health Insurance Fund may carry out its investments through the CIF.

Consolidated Fund Investment Strategy

1 Purpose of the Consolidated Fund

1.1 The Consolidated Fund is established under the Public Finances (Jersey) Law 2019 and effectively represents the States' current account were it a household. Income from taxation, duties, chargeable services, fees, and fines are paid in and expenditure approved by the States Assembly, on employees' salaries, equipment, supplies, services, and capital projects etc. are paid out from the Consolidated Fund.

2 Strategy

2.1 Liquidity and security are the primary objectives of the portfolio. Monies which are expected to be called upon in the immediate future to fund day to day expenditure will be maintained in accounts outside the CIF which can deal daily. Assets expected to be called upon in the short term but are unlikely to be required to fund monthly expenditure may be invested in the Long Term Cash Pool of the CIF in order to earn a higher return.

2.2 The monies required for daily cash-flow transactions will be held outside the CIF with an investment manager who specialises in investing in cash and near cash equivalent investments.

	Strategic Aim %
Cash	100

2.3 Investment limits are dealt with primarily at the pool level of the CIF. Mandate conditions outside the CIF may allow for greater liquidity, reflecting the operational nature of external holdings, but should not be less stringent, in relation to concentration or credit rating limits, relative to the CIF Long Term Cash Pool.

2.4 Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

3 Investment Structure

3.1 The Consolidated Fund may carry out its investments through the CIF.

Currency Notes and Coins Funds’ Investment Strategy

1 Purpose of the Currency Notes and Coins Funds

1.2 The Currency and Coinage Funds are provided for under the Public Finances (Jersey) Law 2019 and the Currency Notes (Jersey) Law 1959. The principal purpose of these Funds is to hold assets that match the value of Jersey currency in circulation, such that the holder of Jersey currency could on request be repaid.

2 Strategy

2.1 In order to meet the purpose of the Currency and Coinage Funds the strategy is based mainly on the requirement to invest in low risk assets to protect and maintain the capital value of the investments and to ensure that currency and coinage in circulation is matched and that investments could be liquidated fairly quickly should a need arise.

2.2 Following review in 2024 by the Treasury Advisory Panel the allocation to alternatives was reduced and increases were made to the allocations to return seeking credit and cash, with a small increase to the equity allocation. The change increases the liquidity of the portfolio in line with the Funds focus on capital preservation.

2.3 Operational cash represents the maximum expected short term fluctuation in the currency in circulation which may be called upon by the banks and therefore is not deemed to be available for investment purposes.

2.4 The long term strategic aim of the Currency and Coinage Funds is for the investable balance (i.e. non-operating stock of cash) to be invested in line with the parameters indicated below. In addition a further cash buffer is held to provide against volatility of currency in circulation :-

Asset Class	**Strategic Aim %**	**Range %**
Equities	24	14 - 34
Fixed Income	24	14 - 34
Cash	24	14 - 34
Alternative Investments Class	28	n/a

2.5 Due to the practicalities of alternative investments, it is not appropriate to manage these within a small control range.

2.6 Allocation to the alternative investment class is subject to the availability of projects and so is necessarily fluid. Monies allocated to the alternative class, which cannot be invested due to lack of appropriate available projects will be invested in existing asset classes.

2.7 The Currency and Coinage Funds may invest in Jersey infrastructure investments as a part of its alternative asset class using various instruments to carry out the investment. It is further anticipated that these investments provide returns in excess of cash, be a viable investment option and offer investment diversification. Its investment may take place directly or via the local infrastructure investment pool.

2.8 Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

2.9 Other asset class specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

3 Investment Structure

3.1 The Currency and Coinage Funds may carry out their investments through the CIF.

Housing Development Fund Investment Strategy

1 Purpose of the Housing Development Fund

1.1 On the 22nd June 1999, the States approved P84/1999 and creating the Housing Development Fund in order to:

"*help meet the requirements for the development of social rented and first-time buyer homes as identified in the Planning for Homes Report.*"

1.2 On the 16th of May 2013, P.33/2013 enabled the Housing Department to become incorporated into a wholly States owned Housing Company: Andium Homes Limited ("Andium"). The key objective of Andium is construction of new housing and completion of improvement works to ensure that the housing stock meets the requirements of the Decent Homes Standard within 10 years. In June 2014 the States of Jersey leveraged its strong balance sheet to issue a £250 million bond with a 40 year maturity at low rates of interest relative to alternative borrowing which could be achieved by Andium.

1.3 The proceeds of the Bond issuance are to be placed in the Housing Development Fund and issued to Andium or equivalent facilitating agencies to fund construction and improvement works, in line with the Funds defined purpose.

1.4 By mid 2020 the full value of the bond had been drawn. The Housing Development Fund is projected to earn returns in excess of the coupon payments to the externally issued bond. Any excess income, in addition to returned capital from existing loans is to be recycled to fund further approved projects.

1.5 The value of the Fund is therefore projected to increase over time with the objective of rebuilding the Fund asset value back in line with the external debt.

2 Strategy.

2.1 Only a frictional amount of cash is expected to be retained in the Fund with any returned capital, or excess income being recycled into new loans to fund further approved projects.

2.2 Any investable assets held by the Fund are therefore expected to be held on a short term basis until reallocated. Given the anticipated short holding period and requirement for certainty of valuation it is appropriate to retain the funds in cash:

	Strategic Aim %
Cash	100

2.3 Cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

3 Investment Structure

3.1 The Housing Development Fund may carry out its investments through the CIF.

Fiscal Stimulus Fund Investment Strategy

1 Purpose of the Fiscal Stimulus Fund

1.1 On the 18th November 2020 the States approved P128/2020 and creating the Fiscal Stimulus Fund. The Fiscal Stimulus Fund was established to allow States bodies and arm's length organisations, through a sponsoring States body, to bid for projects designed to stimulate the economy through initiatives such as employment support, business support, skills training, investment in the construction industry and investment in technology.

1.2 The Fund will provide funding for projects that:

- Reduce the falls in output and employment in the short term
- Reduce the damage to the economy in the medium to long term

1.3 The Fund is designed to facilitate a quick recovery and to avoid reduced levels of employment once the co-funding payroll scheme comes to an end.

1.4 The Fund is expected to be fully utilised in the short term, and is not expected to hold a long term portfolio of assets.

2 Strategy

2.1 The purpose of the Fund is to support expenditure for specific approved projects. Capital is expected to be drawn over a short-term time horizon, rather than retained to generate returns. The Focus of the strategy is therefore to protect capital value and ensure liquidity is maintained so any commitments can be met as they become due.

2.2 The Fund is expected to hold assets through the Consolidated Fund as an intercompany balance or in line with the attached asset allocation:

	Strategic Aim %
Cash	100

2.3 Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

3 Investment Structure

3.1 The Fiscal Stimulus Fund may carry out its investments through the CIF.

Climate Emergency Fund Investment Strategy

1 Purpose of the Climate Emergency Fund

1.2 The Climate Emergency Fund was established to support initiatives that respond to the climate emergency, as declared in P.27/2019. The purpose of the Fund is to support initiatives that reduce carbon emissions and other pollutants, in line with adopted future plans or strategies for, inter alia, energy use and management, carbon reduction, sustainable transport approved by the States Assembly including as part of an approved Government Plan.

2 Strategy

2.1 The purpose of the Fund is to support expenditure for specific approved projects. Capital is expected to be drawn over a short-term time horizon, rather than retained to generate returns. The Focus of the strategy is therefore to protect capital value and ensure liquidity is maintained so any commitments can be met as they become due.

2.2 The Fund is expected to hold assets through the Consolidated Fund as an intercompany balance or in line with the attached asset allocation:

	Strategic Aim %
Cash	100

2.3 Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

3 Investment Structure

3.1 The Climate Emergency Fund may carry out its investments through the CIF.

STATES EMPLOYEE PENSION FUNDS

1. The two major Pension Funds are the Public Employees Pension Fund (PEPF) and the Jersey Teachers' Superannuation Fund (JTSF), arrangements for the governance of the Investment Strategies of these Funds are outlined below.

Public Employees Pension Fund Investment Strategy

2.1. **Purpose of the Public Employees Pension Fund**
The Public Employees Contributory Retirement Scheme (PECRS) & Public Employees Pension Scheme (PEPS), which combined make up the PEPF, is the States pension scheme set up to meet retirement benefits of all contributing public sector employees (excluding teachers).

2.2. **Governance and strategy arrangements**
The Public Employees (Pensions) (Jersey) Law 2014 and relevant legislation including the Public Employees (Pension Scheme) (Administration) (Jersey) Regulations 2015 provides for the governance of the PEPF.

2.3. The above legislation includes for the appointment and composition of the Committee of Management (the Committee) as the governing body of the respective schemes.

2.4. The PEPF invests directly in externally managed funds and does not participate in the CIF. The Committee prepares a Statement of Investment Principles' (SIP) following advice by the Committee's Investment Advisor. Having been agreed by the Committee, it is referred to the Minister for final approval

2.5. The SIP summarises how the Fund manages its investments in compliance with relevant legislation and defines the PEPF's investment allocations.

2.6. The investment strategy of PEPF is published online within the PEPF SIP.

Jersey Teachers' Superannuation Fund Investment Strategy

3.1. **Purpose of the Jersey Teachers' Superannuation Fund**
Membership of the Jersey Teachers' Superannuation Fund (JTSF) is compulsory for all teachers in full time employment and optional for those who work part-time.

3.2. **Governance and strategy arrangements**
Teachers' Superannuation (Jersey) Law 1979 and relevant legislation including the Teachers Superannuation (administration) (Jersey) Order 2007 establishes the Teachers' Superannuation Management Board (the Board) and provides for the governance of the JTSF.

3.3. The above legislation includes for the appointment and composition of the Management Board (the Board) as the governing body of the respective scheme.

3.4. The JTSF participates in the CIF, gaining investment exposure to a selection of the CIF's underlying externally managed fund holdings. The Board issues a SIP which summarises how the Fund manages its investments in compliance with relevant legislation and defines the JTSF's CIF investment allocations. Having been prepared and approved by the Board, the document is referred to the Minister for approval.

3.5. The implementation of JTSF's investment strategy is achieved through the CIF which is overseen by TAP in the first instance, supplemented by the Board's review activities. TAP has operational discretion to rebalance holdings according to the target investment ranges stated in the JTSF SIP.

3.6. The JTSF SIP is published online, separately to this document, by the Board.

SPECIAL FUNDS

The States has a number of Special Funds set up for specific purposes. Funds falling into this category include the Tourism Development Fund, Channel Islands Lottery (Jersey) Fund and the Dwelling Houses Loan Fund.

Tourism Development Fund Investment Strategy

1. Purpose of the Tourism Development Fund

1.1. The Tourism Development Fund was established by proposition P170/2001, lodged by the former Tourism Committee (now the Minister for Economic Development, Tourism, Sport, and Culture) entitled - Investing in Tourism's future. This was approved by the States of Jersey on 18th December 2001.

1.2. The purpose of the proposition was for the Tourism Development Fund to replace the old Tourism Investment Fund (TIF). The aim and objectives of the Fund are as follows:-

1.3. *Aim - "to stimulate investment in tourism infrastructure in order to improve Jersey's competitiveness and sustain a flourishing tourism industry as a second pillar of the economy."*

1.4. *Fund's objectives: "1) improve quality of visitor experience 2) enhance distinctiveness and environmental quality 3) improve cost efficiency and focused use of resources and 4) secure implementation of the tourism strategy. "*

2. Investment strategy

2.1. The Fund retains a limited balance of cash and is anticipated to be exhausted in the short term, therefore the strategy for the Tourism Development Fund is to hold monies in an operational portfolio of cash and cash equivalents in line with operational restrictions.

2.2. The investment strategy should be revisited if plans to make any material transfers to rebuild the Tourism Development Fund take place.

Channel Islands Lottery (Jersey) Fund Investment Strategy

1. Purpose of the Channel Islands Lottery (Jersey) Fund

1.1. The Channel Islands Lottery is one of the longest running small lotteries in the world. It began in Jersey in the mid-1960s and raised millions of pounds for the development of Fort Regent. In 1975, Jersey and Guernsey joined together to form the Channel Islands Lottery and have been successful in raising money for sport, leisure and recreation in the Islands and supporting the Association of Jersey Charities; which is made up of approximately 245 charities (February 2010).

1.2. Under the Gambling (Jersey) Law 1964 (article 3), the Gambling (Channel Islands Lottery) (Jersey) Regulations 1975 were made, setting out the Channel Islands Lottery (Jersey) Fund's constitution, operations, and administration provisions.

1.3. The promotion of the lottery is carried out by the Minister for Economic Development, Tourism, Sport and Culture jointly with the Guernsey Committee ("States of Guernsey Gambling Control Committee").

1.4. The Minister for Economic Development, Tourism, Sport and Culture has powers to set aside reserves to exercise his or her functions under the regulations. In 2009, proposition P.155/2009 was approved by the States to retain 10% of the 2009/10 profits in order to boost the Fund's reserves as a contingency measure, prior to distributing the Lottery's profit.

2. Investment strategy

2.1. During the year monthly trading cash receipts from sales of tickets after deduction of prize monies continue to grow. Historically, by December the Channel Islands Lottery (Jersey) Fund holds substantial cash balances due to compounding monthly ticket net inflows and large ticket sales from the Christmas Charity Draw.

2.2. Each year in March/April a substantial payment is made to the Association of Jersey Charities, which coincides with the presentation of the previous years' annual accounts to the States.

2.3. In order to meet the Channel Islands Lottery (Jersey) Fund's purpose the investment strategy's emphasis is on security, maintenance of capital value, flexibility, and a very high level of liquidity rather than on investment growth.

2.4. The long term investment strategy is to hold all assets in cash and short term instruments, such as Certificates of Deposits. As many of the significant cash flows occur annually, some of the cash may be invested on a longer term basis (i.e. greater than 3 months).

2.5. The intention is that the Channel Islands Lottery (Jersey) Fund, apart from any cash balances required as working balances, will be able to participate in the CIF.

2.6. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

2.7. Other asset class specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

2.8. No off-balance sheet vehicles are permitted.

3. Investment Structure

3.1. The Channel Islands Lottery (Jersey) Fund may carry out its investments through the CIF.

Dwelling Houses Loan Fund Investment Strategy

1. Purpose of the Dwelling-Houses Loan Fund

1.1. The Building Loans (Jersey) Law 1950 ("the Law"), article 2 established the "Dwelling Houses Loan Fund" for the following purpose:-

1.2. "*to establish a building loans scheme to enable residentially qualified first-time buyers, who have never owned residential freehold property in Jersey, to purchase their first home. They must be able to demonstrate they have a deposit and can meet the loan repayments."*

2. Investment strategy

2.1. In order to meet the Dwelling Houses Loan Fund's purpose the investment strategy is to maintain security and a high level of liquidity so as to provide lending when required; ensuring that the asset value is only subject to small fluctuations.

2.2. The strategy is designed to maintain the asset value of the Dwelling Houses Loan Fund in monetary, rather than real terms and any income received will help to offset the effects of inflation on monetary values.

2.3. The long term investment strategy for the Dwelling Houses Loan Fund is to hold assets (excluding the loan book) in cash and cash equivalents and short dated government bonds.

2.4. The short term cash holding at any one time should be sufficient to cover potential loans to be issued in the forthcoming year. Therefore the Minister has set a strategic aim of investing all monies in risk reducing assets as detailed below:-

	Strategic Aim %	**Range %**
Government Bonds	75	72 – 83
Cash	25	22 – 28

2.5. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

2.6. Other asset class specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

2.7. No off-balance sheet vehicles are permitted.

3. Investment Structure

3.1. The Dwelling Houses Loan Fund may carry out its investments through the CIF.

Ecology Fund Investment Strategy

1. Purpose of the Ecology Fund

1.1. The Ecology Fund was established on 26 March 1991 by the States of Jersey (P.32/1991) with a sum of money received as an insurance settlement from the Amoco Cadiz oil tanker disaster of 1978, with the following purpose, as detailed in the proposition:-

1.2. *“the interest from the investment of which would be available for use by the trustees to grant aid, wholly or partially, for any activity designed to promote or protect the environment or ecology of Jersey*”.

1.3. The Ecology Fund rules and administrative structure were laid out in P.32/1991 by the former Finance and Economics Committee (now the Minister).

1.4. On 29 September 2005, the States approved amendments to the Ecology Fund rules, under P.192/2005; impacting the future management of the Ecology Fund, presentation of annual reports to the States and the process for the appointment of Trustees.

1.5. The Ecology Fund is managed by Trustees, under P.192/2005, the Chairman of the Trustees should be a member of the States and there should be five trustees nominated by the Environment and Public Services Committee (superseded by the Minister for Environment) and appointed by the States.

2. Investment strategy

2.1. Whilst P.32/1991 gives the Treasurer the responsibility for investing the capital of the Ecology Fund, the proposition provides no guidance as to how the investments should be carried out. Therefore in line with article 25 of the Public Finances (Jersey) Law 2019 the Minister has development an investment strategy for the Ecology Fund.

2.2. In order to meet the Ecology Fund’s purpose the investment strategy applies half of the assets to work towards an objective of maintaining, with a target of exceeding, the real value of the assets over a rolling five year period and for the remainder of the Ecology Fund’s assets to provide sufficient levels of income for distribution.

2.3. It is assumed that providing the required distribution income is generated, the Trustees will accept some price volatility in their assets in the pursuit of longer term investment returns.

2.4. The requirements of the Ecology Fund were assessed, the ‘Income Balanced’ strategy outlined in the Trust and Bequest Fund introduction was deemed to give the greatest chance of meeting the Funds strategic objectives.

2.5. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

2.6. Other asset class specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

2.7. No off-balance sheet vehicles are permitted.

3. Investment Structure

3.1. The Ecology Fund may carry out its investments through the CIF.

Long-Term Care Fund Investment Strategy

1. Purpose of the Long-Term Care Fund

1.1. Established under the Long Term Care (Jersey) Law 2013, the Long-Term Care Fund is a ring fenced Fund funded by the Long-Term Care Charge payable by local residents and a grant from the States. The Long-Term Care Fund pays benefits to adults with long-term care needs.

1.2. From 1 July 2014 individuals with long term care needs have been able to claim benefits from the new long term care scheme. The value of the benefit depends on the assessed care level of the individual and where the care is being received. Claimants can receive care in their own home, in a specialist group home or in a residential home. A means tested benefit is available from the start of the care for those with lower income and assets. Property loans are available which are secured against the value of the family home. Once standard care costs have reached a certain level all claimants are entitled to a benefit which covers their standard care costs.

1.3. The portion of the Long-Term Care Fund's assets not expected to be utilised in the short term future is to be maintained within the investment portfolio.

2. Investment strategy

2.1. The current estimated future cash requirements of the Long-Term Care Fund are subject to a high degree of uncertainty reflecting both the short history of operation and uncertain levels of drawdown. The level of drawdown and repayment into the Long-Term Care Fund is dependent on several factors including long term demographic and economic trends, these have been modelled but assumptions may be subject to amendment.

2.2. The rise in the Long Term Care contribution rate to 1.5% combined with implementation of the Jersey Care Model, and subsequent pause of the latter, are expected to further extend the life of the fund. Further assessment to whether the expected greater Fund value will extend the investment horizon should be carried out following the completion of the next actuarial valuation to ascertain whether a more return focussed strategy may be adopted.

2.3. Liquid assets are maintained outside the investment portfolio to meet any operational expenditure required for the day to day operation of the Long-Term Care Fund. These assets are considered outside the scope of the investment portfolio, although information regarding those holdings will be utilised when preparing the investment strategy.

2.4. In order to meet the Long-Term Care Fund's purpose the investment strategy is set to focus on capital preservation and liquidity reflecting the uncertain timing of future cash flows. The Strategy will be revisited when further information becomes available.

2.1 The strategy is designed to maintain the asset value of the Long-Term Care Fund in monetary, rather than real terms and reinvestment of any income received will help to offset the effects of inflation on monetary values.

2.2 Therefore the Minister has set a strategic aim of investing 50% in cash / short dated gilts providing a low risk but low return profile, complimented by a 50% allocation to fixed income.

	Strategic Aim %	**Range %**
Cash/Short term Gilts	50	45 – 55
Fixed Income	50	45 – 55

2.3 Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

2.4 Other asset class specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

2.5 No off-balance sheet vehicles are permitted.

3 Investment Structure

3.1 The Long-Term Care Fund may carry out its investments through the CIF.

Jersey Reclaim Fund Investment Strategy

1. Purpose of the Fund

1.1 Established under the Dormant Bank Accounts (Jersey) Law 2017, the Fund serves to receive the balances of dormant Jersey bank accounts transferred in accordance with the law, for distribution for charitable and other purposes, subject to reclaim by transferring banks under certain conditions.

1.2 Money from Jersey bank accounts meeting dormancy conditions, as outlined in the above Law, and accepted by the Chief Minister or delegate, is transferred into the Fund. Banks may reclaim from the Fund any monies subsequently reclaimed by customers, up to a maximum equal to the amount paid into the Fund, subject to terms laid out in the law.

1.3 The Chief Minister or delegate must by Order, having consulted the Minister for Treasury and Resources, set out policies and procedures for determining whether to make any distribution from the Fund and, if so, the amounts that must be distributed for the purposes outlined below.

1.4 The purposes for which the monies may be distributed are:

- to defray the cost of the remuneration or other payment for the services of the Jersey Charity Commissioner ('the Commissioner') due under the terms of his or her appointment and the cost of providing staff, accommodation or equipment that are required for the proper and effective discharge of the Commissioner's functions; and
- charitable purposes in accordance with the Law.

2. Investment strategy

2.1 The investment strategy of the Fund has been written in line with the Dormant Bank Accounts (Jersey) Law 2017 and the distribution policy as issued in the Dormant Bank Accounts (Distribution of Money) (Jersey) Order 2019 (the 'Distribution Policy').

2.2 The Distribution Policy limits the amount which can be distributed to no more than 50% of the value that could be reclaimed at any time and award sufficient funds to meet the costs of the Commissioner plus at least £250,000 for distribution for charitable purposes.

2.3 Given the purpose of the Fund, the strategy ensures sufficient levels of security and liquidity is maintained to meet the level of drawings which might reasonably be expected to be made by banks identifying applicable dormant account owners.

2.4 In meeting the above aims the Fund's investment strategy seeks to generate sufficient returns to meet the above distribution targets, whilst ensuring that the value at risk does not exceed the expected level of annual drawing.

2.5 The strategy is mindful of the need to maintain a diversified approach to control the level of risk to which the Fund is exposed.

2.6 The strategy is focussed on the security of the asset value of the Jersey Reclaim Fund in monetary, rather than real terms given the fixed value of liability.

2.7 The strategic asset allocation of the Jersey Reclaim Fund are as follows:

	Strategic Aim %	Range %
Active Global Equities	20	10-30
Fixed Income	25	15 – 35
Cash	25	15 – 35
Alternatives	30	20-40
ARP	*15*	
Hedge Funds	*15*	

2.8 Alternative assets may include allocations to the Hedge Fund and Alternative Risk Premia Pool. Due to the reduced liquidity of some of these asset classes, automatic rebalancing with ranges is not appropriate. Short term movements away from strategic allocations are therefore permissible either due to market movements or transitionally as positions are built. This will not be deemed to be a breach of Strategy and the TAP are expected to keep asset allocations under review

2.9 Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

2.10 Other asset class specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

2.11 No off-balance sheet vehicles are permitted.

3. Investment structure

3.1 The Jersey Reclaim Fund may carry out its investments through the CIF.

TRUST & BEQUEST FUNDS

1. Purpose of the Funds

1.1. These are Funds which have been left to the States as a legacy or bequest to be used for the purpose specified by the benefactor.

2. Introduction

2.1. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2019 (Article 25) (the Finance Law), which requires that the Minister presents his investment strategies for States Funds.

2.2. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.

2.3. For Trust and Bequest Funds, the Minister recognises the responsibility to protect the interests of both present and future beneficiaries of the Funds when deciding on the investment strategy, focusing on investments which are expected to give optimal performance in terms of their overall return, within the boundaries of each Fund's investment restrictions and patterns of distribution.

2.4. The Treasurer is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.

3. Assessment of Trust and Bequest Funds' Objectives and Strategy:

3.1. Given the relative size of the Trust and Bequest Funds, in order to effectively manage and monitor their investment strategies, Funds have been assessed to identify their objectives and then classified into one of two investment strategies

- *Capital Appreciation*
- *Income Balanced*

Resource can then be allocated to review and monitor the asset split of the strategies, in a way which would not be cost effective, if applied to the individual Funds.

3.2. Following a restructure to the fixed income pools, the former UK Corporate Bond Pool and Absolute Return Bond Pool have been replaced by a single Return Seeking Credit Pool. This pool is expected to deliver both yield and capital growth, but be more dynamic and so amend allocations to underlying strategies over time in response to changing market conditions. The pool is planned to have both a distributing and non distributing class, depending on the requirements of the underlying Participant.

3.3. Because of the dynamic nature of the Return Seeking Credit Pool, both Capital Appreciation and Income Balance strategies will have an equal Strategic Aim, but wider ranges to allow allocation between the two Strategies depending on the relative allocations to funds within the Pool.

4. **Strategies**:

The following section summaries the two investment strategy types which may be applied to the Trust and Bequest Funds and their asset allocations/ranges.

Capital Appreciation

4.1. In order to meet this objective the investment strategy seeks to maintain, with a target to exceed, the real value of the invested assets over a rolling five year period coupled with providing sufficient returns for distribution.

4.2. The strategy consider a balance between capital growth and capital preservation, in order to best serve the individual Trust and Bequest Fund's objectives. The strategy is expected to provide higher capital returns at the cost of higher expected volatility and slightly lower income generation.

Income Balanced

4.3. In order to meet this objective the investment strategy seeks to maintain the real value of the invested assets over a rolling five year period coupled with providing sufficient income for distribution.

4.4. The strategy seeks a balance between capital and income generation in order to best serve the individual Trust and Bequest Funds' objectives. The strategy incorporates a balanced mix of growth type assets, expected to provide higher capital returns, and income assets, expected to provide lower volatility and greater focus on income generation for distribution.

The asset allocations:

4.5. The following table outlines the proposed asset allocations and investment ranges of the strategy.

4.6. Allocation to Fixed Income allows flexibility to allocate between the defensive Gilt Pool and the Return Seeking Credit Pool.

4.7. The Return Seeking Credit Pool is designed to allow flexibility to react to market conditions, accordingly its characteristics may change over time when allocations of underlying strategies are modified. TAP will consider the relative allocations to the Pool by the Capital Appreciation and Income Balanced focussed Funds. Allocations will however remain within the overall Strategic ranges defined in this Strategy.

4.8.

	Trust and Bequest Funds'	
	Aim %	Range %
Equities	55	45-65
Fixed Income	43	33-63
Cash	2	0-7

Estate of A A Rayner Fund Investment Strategy

1. Purpose of the Estate of A A Rayner Fund

1.1. The late Mrs Ann Alice Blason (nee Colclough) (wife of Charles Henry Blason and the widow of John Edward Rayner the late Lord Mayor of Liverpool) bequeathed assets, to the States of Jersey for specific purposes, as detailed within her will dated 30th October 1945.

1.2. The acceptance of the bequest by the States and resolution on how the Estate of A A Rayner Fund was to be administered was expressed in R&O 2536 which was adopted by the States on 16th November 1949.

1.3. In 2001 the States approved amendments to the objects of the Estate of A A Rayner Fund (P38/2001 dated 27th March 2001 raised by Finance and Economics Committee (now the Minister)), as the view was that the initial objectives of the Fund had been over taken with time and events. The revised objectives are as follows:-

1.4. *“1) the provision of pecuniary relief to needy persons residing in Jersey and 2) such other objectives or purposes of a charitable or philanthropic nature as the States may hereafter in their absolute discretion determine.”*

1.5. P38/2001 also made amendments to the administration of the Estate of A A Rayner Fund, thus rescinding R&O 2536 and a later act dated 11th September 1979. Under P38/2001, the Fund’s income is now administered by a Delegation which consists of four Jurats of the Royal Court of Jersey.

1.6. The Minister (formerly the Finance and Economics Committee) is responsible for any changes to the investment of the Estate of A A Rayner Fund after consultation with the Delegation.

1.7. Day to day administration and accounting is the responsibility of the States Treasury and Exchequer (formerly the Treasury and Resources Department).

1.8. The will bequeaths the income of the Estate of A A Rayner Fund to be used for its objectives and further gives the States discretion to distribute capital to an amount not exceeding one half of the total capital of the Fund. In practice all bequeaths historically have only been made out the income.

2. Investment strategy

2.1. P38/2001 gives the Minister (formerly the Finance and Economics Committee) responsibility for any changes to the investments of the Estate of A A Rayner Fund after consultation with the Delegation. It further provides the opportunity to invest in immovable property situated in or outside the Island which will be held by the States of Jersey for and on behalf of the Fund.

2.2. The requirements of the Estate of A A Rayner Fund were assessed, and the Fund’s asset allocation will reflect ‘Income Balanced’ characteristics.

2.3. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

2.4. Other asset class specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

2.5. No off-balance sheet vehicles are permitted.

3. Investment Structure

3.1. The Estate of A A Rayner Fund may carry out its investments through the CIF.

The Rivington Travelling Scholarship Fund Investment Strategy

1. Purpose of the Rivington Travelling Scholarship Fund

1.1. The late Mr William Charles Richmond-Pickering ("testator") bequeathed the remainder of his estate, to establish "the Rivington Travelling Scholarship" for the following purposes, as detailed within his will dated 17th April 1980:-

1.2. *"to enable a person, male or female, of any age, to visit such museums or art galleries out of the Island as would further his or her appreciation of arts, crafts and/or history. The only other criteria of the award to be the sincerity of the applicant's intention and lack of funds."*

1.3. The will provided that in the event that the States did not accept the legacy on the terms set out by the testator that the residue of his estate would be given to Société Jersiaise.

1.4. The acceptance of the bequest by the States was expressed in proposition P.117/2004 made by the Education, Sport and Culture Committee (now the Minister for Economic Development, Tourism, Sport and Culture), which was adopted on 20th July 2004.

1.5. The administration of the Rivington Travelling Scholarship Fund is carried out by a delegation of three persons; one person nominated by the Minister for Economic Development, Tourism, Sport, and Culture; one person representing the Jersey Arts Trust and one person representing Jersey Heritage Trust.

1.6. The will makes no differentiation as to whether distributions should be made out of the capital or income of the Rivington Travelling Scholarship Fund.

2. Investment strategy

2.1. The will provides no guidance as to how the investments of the Rivington Travelling Scholarship Fund should be carried out therefore in line with article 25 of the Public Finances (Jersey) Law 2019 the Minister has development an investment strategy for the Fund.

The requirements of the Rivington Travelling Scholarship Fund were assessed and the Fund's asset allocation will reflect 'Capital Appreciation' characteristics.

2.2. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

2.3. Other asset class specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

2.4. No off-balance sheet vehicles are permitted.

3. Investment Structure

3.1. The Rivington Travelling Scholarship Fund may carry out its investments through the CIF.

Estate of H E Le Seelleur Investment Strategy

1. Purpose of the Fund

1.1. Harold Ernest Le Seelleur died on 22 October 1996, bequeathing assets to the States of Jersey for itself and its successors in perpetuity, for the following purpose as detailed under his will dated 28 December 1988 (The will was registered in Royal Court on 27 November 96):-

"*for the benefit of aged, infirm and needy residents of the Island.*"

1.2. The acceptance of the bequest by the States was expressed in the terms of proposition P.71/97 of the Health & Social Services Committee, adopted by the States on 2 June 1997. Under the proposition it was decided that the administration of the Estate of H E Le Seelleur Fund should be carried out by the Minister for Health and Social Services (formerly known as The Health and Social Services Committee).

1.3. The assets originally settled into the Estate of H E Le Seelleur Fund comprised of Jersey based property. Lifelong enjoyment was provided for two properties; number 1 and 4 The Denes, Greve D'Azette, St Clements.

1.4. The Testator, expressly wished that the Executor, Mrs Pugsley, be consulted with a particular view towards the use of the properties for the benefit of aged, infirm, and needy residents of the Island.

1.5. The will makes no differentiation between whether bequests should be made out of capital or income. Therefore this gives the administrators of the Estate of H E Le Seelleur Fund the power to distribute all available assets to needy causes as they arise (excluding the properties held with a life interest).

2. Investment strategy

2.1. The will provides no guidance as to how the investments of the Estate of H E Le Seelleur Fund should be carried out therefore in line with article 25 of the Public Finances (Jersey) Law 2019 the Minister has development an investment strategy for the Fund.

2.2. The investment strategy has a blend of returns coming from income producing and growth assets and is designed to meet the Estate of H E Le Seelleur Fund's objectives. The income producing assets should allow the Fund to meet its on-going cash flow requirements, while the growth assets will help the produce a long term real return. All the asset classes have been given a range of investable limits.

2.3. Therefore the Minister has set a strategic aim of investing 70% in growth assets (Jersey property and equities) designed to produce long term returns and 30% in stabilising assets (bonds, alternatives, and cash) designed to provide stability and income, as detailed below:-

	Strategic Aim %	**Range %**
Growth Assets	**70**	**60-80**
Stabilising Assets	**30**	**20-40**
Fixed Income	28	
Cash	2	

2.4. The largest allocation in the strategy is to growth assets, the split between equities and Jersey property is determined by recommendations from Jersey Property Holdings following a review of the properties that were bequeathed to the Estate of H E Le Seelleur Fund. The balance of this amount will then be allocated to equities so that that growth assets are within the range.

2.5. The intention is that the Estate of H E Le Seelleur Fund will be able to participate in the CIF.

2.6. The ranges indicate tolerable variations according to investment conditions at any time.

2.7. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

2.8. Other asset class specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

2.9. No off-balance sheet vehicles are permitted.

3. Investment Structure

3.1. Investments may be carried out through the CIF.

Estate of E J Bailhache Fund Investment Strategy

1. Purpose of the Estate of E J Bailhache Fund

1.1 The late Mrs Eunice Jane Bailhache (née Hubert), who died on 15th June 1979, bequeathed assets for the following purposes, as detailed in her will dated 20th September 1974:-

1.2 *"Public of the Island of Jersey for the benefit of the Public Health Committee (now the Minister for Health and Social Services) of the States of Jersey for the general welfare of persons elderly, and/or blind or sick at the General Hospital."*

1.3 The States Law Officers' department in their letter dated 24th October 1994 provided a definition of welfare as "health, happiness and general wellbeing."

1.4 The acceptance of the bequest by the States was delayed for quite a few years as the will was contested. Eventually in March 1984, a settlement was agreed on the basis that 60% of the estate should be retained by the public of the Island. This was passed in Court on 25th January 1985.

1.5 The States accepted the bequest, made up mostly of properties, under proposition (P.13/85) made by the Public Health Committee on 12th March 1985. The proposition resolved that the administration of the Estate of E J Bailhache Fund should be carried out by the Minister for Health and Social Services (formerly known as The Public Health Committee).

1.6 Since the States' acceptance of the Estate of E J Bailhache Fund, the Fund still continues to hold mainly properties, which are all based in Jersey and are rented out. Over recent years some of the original bequeathed properties have been sold as there was no further use for them and the sale proceeds were reinvested into new properties.

1.7 The will makes no differentiation between whether distributions should be made out of capital or income. Therefore this gives administrators of the Estate of E J Bailhache Fund powers to distribute all available assets to projects as they arise.

2. Investment strategy

2.1. The will provides no guidance as to how the investments of the Estate of E J Bailhache Fund should be carried out therefore in line with article 25 of the Public Finances (Jersey) Law 2019 the Minister has development an investment strategy for the Fund.

2.2. The investment strategy has a blend of returns coming from income producing and growth assets and is designed to meet the Estate of E J Bailhache Fund's objectives. The income producing assets should allow the Fund to meet its on-going cash flow requirements, while the growth assets will help the Fund produce a long term real return. All the asset classes have been given a range of investable limits.

2.3. Therefore the Minister has set a strategic aim of investing 70% in growth assets (Jersey property and equities) designed to produce long term returns and 30% in stabilising assets (bonds, alternatives, and cash) designed to provide stability and income, as detailed below:-

	Strategic Aim %	**Range %**
Growth Assets	**70**	**60-80**
Stabilising Assets	**30**	**20-40**
Fixed Income	28	
Alternatives (non-property)		
Cash	2	

2.4. The largest allocation in the strategy is to growth assets, the split between equities and Jersey property is determined by recommendations from Jersey Property Holdings following a review of the properties that were bequeathed to the Estate of E J Bailhache Fund. The balance of this amount will then be allocated to equities so that that growth assets are within the range.

2.5. The intention is that the Estate of E J Bailhache Fund will be able to participate in the CIF.

2.6. The ranges indicate tolerable variations according to investment conditions at any time.

2.7. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

2.8. Other asset class specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

2.9. No off-balance sheet vehicles are permitted.

3. Investment Structure

3.1 The Estate of E J Bailhache Fund may carry out investment through the CIF.

3.2 All of the Jersey Properties will remain outside of the CIF.

Le Don De Faye Trust Fund Investment Strategy

1. Purpose of the Le Don De Faye Trust Fund

1.1. Jurat Percy Chambers Cabot died on 24th April 1959 and bequeathed his assets to the Treasurer ("Trustee"), to set up a Trust Fund called "Le Don de Faye" after the death of the annuitant, his unmarried sister, Alice Jane Chambers ('Lilian') Cabot. The Trust Fund was created in memory of his late wife Vera Mary de Faye and of her late father Thomas Louis de Faye, Major, Royal Militia of Island of Jersey.

1.2. The will dated 7th June 1958, states that the assets are to be held in trust, for the following purpose (the will was probated on 29th April 1959):-

1.3. "*to distribute the annual income of the Fund (not necessarily in equal sums) for the sole discretion of the Rectors and their Churchwardens of the twelve parishes, for them to have sole discretion to distribute to needy parishioners of all social standing in each parish."*

1.4. Under the terms of the will, the income of the Fund is to be apportioned and distributed in the name of the bequest "Le Don de Faye", 2/13th to the Rector and Churchwardens of St Clements in the first week of December and 1/13th to each of the Rectors and Churchwardens of the other 11 parishes in the third week of December.

1.5. The Treasurer as trustee for the Le Don De Faye Trust Fund is required to carry out the following duties:-

- To hold the capital of the Trust Fund together with the accumulated income as shall have accrued, together with any other liquid assets of the personal estate in the Trust.
- To invest the residue and proceeds of the Trust Fund as directed by the Committee of the States responsible for the controlling and supervising the finances of the States of Jersey (formerly known as the Finance and Economics Committee now the Minister)

1.6. The will clearly states that the bequests should only be made out of the income and therefore the capital of the Le Don De Faye Trust Fund should be preserved and not distributed.

2. Investment strategy

2.1. The will provides no guidance as to how the investments of the Le Don de Faye Fund should be carried out therefore in line with article 25 of the Public Finances (Jersey) Law 2019 the Minister has development an investment strategy for the Fund.

2.2. The requirements of the Le Don De Faye Trust were assessed and the Fund's asset allocation will reflect 'Income Balanced' characteristics.

2.3. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

2.4. Other asset class specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

2.5. No off-balance sheet vehicles are permitted.

3. Investment Structure

3.1. The Le Don De Faye Trust Fund may carry out investment through the CIF.

3.2. The Le Don De Faye Trust Fund's holding in Jersey Water will be held outside of the CIF.

Greville Bathe Fund Investment Strategy

1. Purpose of the Greville Bathe Fund

1.1 The late Mr Greville Inverness Bathe bequeathed assets, to the Treasurer, for himself and his successors to be held in Trust for and on behalf of the States for the following purposes, as detailed within his will dated 9th October 1961:- (This will was deposited and proved in the Registry in Florida on 17th December 1964.)

1.2 *"half the income of the fund should be available for relief & pensions to needy persons of either sex whose legal domicile is in the Island of Jersey, who have rendered service to the Island of Jersey either in an honorary or remunerated administrative or clerical capacity, or whose ancestors were employed or engaged in such service to the Island, but excluding persons who have benefited under the Alice Rayner Fund (Fund A)" "The other half of the fund is to distribute income for grants to sick or aged persons of either sex & of any age or denomination, resident in the Island of Jersey (Fund B)."*
Note the terminology of Fund A and B was introduced in a Royal Court Judgement made in 1973 (JJ 2513)

1.3 The will expressed that the administrators of the Fund should be for persons resident and domiciled in the Island of Jersey who are not members of the States Assembly and would prefer those appointed by the States of Jersey be Jurats of the Royal Court, as they are non-political and have been elected by an Electoral College established under the law.

1.4 The acceptance of the bequest by the States and the former Finance and Economics Committee (now the Minister) together with clarification of how the Fund was to be administered was adopted by the States on 29th April 1964 (84/6(1))

1.5 On 23 January 1974 the Royal Court made a judgement around the administration of the Fund (Page 2534), stating that the administrators need to maintain at the end of December each year a balance of not less than three times the current years payments in Fund A and that any remaining balances could be transferred into Fund B. In recent years, the use of Fund A and Fund B terminology has been withdrawn as there were few requests for donations out of Fund A and a decision taken that all future claimants be diverted to the Ann Alice Rayner Fund.

1.6 Day to day administration and accounting is the responsibility of the States Treasury and Exchequer (formerly the Treasury and Resources Department).

2. Investment strategy

The Public Finances (Jersey) Law 2019 (Chapter 6) requires that the investment of monies be applied in accordance with provisions set out in any special fund or trust. Under the provisions of the will, the Treasurer (Trustee) is given powers to manage and maintain the investments of the Fund and to invest the capital as thought fit and proper. Securities should be held within banks of good standing. In accordance, the Minister is to develop an investment strategy for the Fund which is presented to the States.

2.1 The requirements of the Greville Bathe Fund were assessed and the Fund's asset allocation will reflect 'Income Balanced' characteristics.

2.2 Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

2.3 Other asset class specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

2.4 No off-balance sheet vehicles are permitted.

3 Investment Structure

3.1 The Greville Bathe Fund may carry out investment through the CIF.

Estate of A H Ferguson Bequest Fund Investment Strategy

1 Purpose of the Estate of A H Ferguson Bequest Fund

1.1 The late Mr Alexander Hugh Ferguson, who died on 20th September 1982, bequeathed the remainder of his assets, for the following purposes, as detailed within his will dated 13th November 1980:-

1.2 *"I give all my estate wheresoever and whatsoever (save and except Real Estate situate in the said Island of Jersey) unto the Public Health Committee (now the Minister for Health and Social Services) of the States of Jersey and I desire them to apply the same for the benefit of the Intensive Care Unit at the Jersey General Hospital."*

1.3 This means that the administration of the Estate of A H Ferguson Bequest Fund is the responsibility of the Minister for Health and Social Services (formerly The Public Health Committee).

1.4 The will makes no differentiation as to whether distributions should be made out of the capital or income of the Estate of A H Ferguson Bequest Fund. Therefore this gives administrators of the Fund powers to distribute all available assets to projects as they arise.

2 Investment strategy

2.1 The will provides no guidance as to how the investments should be carried out therefore in line with article 25 of the Public Finances (Jersey) Law 2019 the Minister has development an investment strategy for the Fund.

3.3. The requirements of the A H Ferguson Bequest Fund were assessed and the Fund's asset allocation will reflect 'Capital Appreciation' characteristics.

2.2 Other asset class specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

2.3 No off-balance sheet vehicles are permitted.

3 Investment Structure

3.1 The Estate of A H Ferguson Bequest Fund may carry out investment through the CIF.

The Lord Portsea Gift Fund Investment Strategy

1. Purpose of the Lord Portsea Gift Fund

1.1. On 15th December 1957 a sum of £17,000 was bequeathed by the late Miss Albina Bertram Falle to the Royal Court and the States of Jersey in accordance with the wishes of her brother, the late Lord Portsea of Portsmouth, for the following purpose:-

1.2. *"I give and bequeath to the Royal Court and the States of Jersey the sum of £17,000 to be known as the Lord Portsea Gift Fund, to help all young Jersey and Guernsey boys (of Jersey and Guernsey Parentage) entering the Royal Navy, Army, Air Force and Civil Services who are in need of Financial help."*

1.3. The States accepted the bequest, under a proposition made by the former Education Committee (now the Minister for Economic Development, Tourism, Sport, and Culture) on 23 January 1968.

1.4. The Fund rules and administrative structure were laid out in Lord Portsea Gift Fund (Jersey) Act 1971 which was later amended under the Lord Portsea Gift Fund (Jersey) Act 1971 (amendment) Act 1981 and the Lord Portsea Gift Fund (Jersey) Act 1971 (amendment No.2) Act 1997.

1.5. The purpose of the Lord Portsea Gift Fund was extended under the 1981 and 1997 amendments to include females as well as males; to increase the upper age limit for grants to 30 years old and to widen the range of occupations applicable.

1.6. The Lord Portsea Gift Fund is administered by a Grants Panel comprising an independent Chairman, a Jurat of the Royal Court, and a States member. The Panel held its first meeting on 13 July 2015.

1.7. The delegation has powers to approve grants, these meetings generally occur twice a year in March and September. Grants can only be funded from the current year income and accumulated income.

1.8. In the 1971 Act, the former Finance and Economics Committee (now the Minister) has the powers to make changes to the investments of the Lord Portsea Gift Fund as from time to time considered necessary or expedient.

2. Investment Strategy

2.1. Whilst the 1971 Act gives the Minister the responsibility for investing the capital of the Fund, the Act provide no guidance as to how the investments of the Fund should be carried out.

2.2. The will provides no guidance as to how the investments of the Lord Portsea Gift Fund should be carried out therefore in line with article 25 of the Public Finances (Jersey) Law 2019 the Minister has development an investment strategy for the Fund.

3.4. The requirements of the Lord Portsea Gift Fund were assessed and the Fund's asset allocation will reflect 'Income Balanced' characteristics.

2.3. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

2.4. Other asset class specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

2.5. No off-balance sheet vehicles are permitted.

3. Investment Structure

3.1. The Lord Portsea Gift Fund may carry out its investments through the CIF.

OTHER FUNDS

1 Background

1.1 The States Treasury and Exchequer (formerly the Treasury and Resources Department) manages the investments of over 250 States "other" Funds. These can be split into four main categories:-

- Trust and Bequest Funds;
- Confiscation Funds;
- Special Funds; and
- Jersey Post Office Pension Fund.

1.2 Trust and Bequest Funds and Special Funds have been dealt with in the above appendices.

Confiscation Funds' Investment Strategy

2.1 **Purpose of the Confiscation Funds**
Where assets have been seized following a court order, these are held within the Criminal Offences Confiscation Fund or Civil Assets Recovery Fund. These Funds are established under the Proceeds of Crime (Jersey) Law 1999 and Civil Asset Recovery (International Co-operation) (Jersey) Law 2007 respectively. These Funds hold amounts confiscated under law, monies are then distributed in accordance with the relevant legislation.

2.2 **Strategy**
In line with the Proceeds of Crime (Enforcement of Confiscation Orders) (Jersey) Regulations 2008, the fund will invest 100% of its assets in cash in compliance with paragraph 24 of the regulation which states:

Monies paid in to the Fund, while not applied for any of the purposes of paragraph (4), must be –

(a) held in the custody of the Treasurer of the States at the States Treasury; or

(b) placed, in the name of the States, in a current or deposit account with one or more banks selected by the Minister

Jersey Post Office Pension Fund Investment Strategy

3.1 **Purpose of the Jersey Post Office Pension Fund**
When Jersey Post International Limited was incorporated under the provisions of the Postal Services (Transfer) (Jersey) Regulations 2006 the liability for the provision of pensions from the Jersey Post Office Pension Scheme, a closed scheme, transferred to the States.

3.2 In order to meet this liability the States also transferred the Jersey Post Office Pension Fund consisting of assets that exactly matched the future pension liabilities of the scheme (fully funded).

3.3 **Strategy**
As the scheme is closed to new entrants and its liabilities (future pension payments) are linked to the cost of living, the investment strategy seeks to invest in assets that closely match these liabilities. As such the Jersey Post Office Pension Fund is predominantly invested in index linked gilts as these are likely to provide the best match against the scheme's future liabilities.

	Asset Allocation %
Index linked Gilts*	93
Cash or near cash equivalents	7

*the investment in index linked gilts are maintained in a segregated portfolio outside of the CIF

STATES OF JERSEY – COMMON INVESTMENT FUND

CIF Introduction

1.1. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2019 (Article 25) (the Finance Law) which requires that the Minister presents his investment strategies for States Funds.

1.2. The strategies set by the Minister pay particular regard to the need for diversification in both the management of the money available; and the level of funds to be invested.

1.3. The Treasurer is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.

1.4. This document provides details on the investment strategies for the States of Jersey – CIF and its various investment pools.

1.5. The CIF is an administrative arrangement open only to States Funds. It provides States Funds with the opportunity to pool their resources and benefit from greater investment opportunities and economies of scale. Each States Fund will hold units in the CIF's asset pools in line with their individual investment strategies.

1.6. The strategy reflects the Minister's long term investment aims for the States of Jersey - CIF.

1.7. The report includes information on matters relating to the States of Jersey investment strategies. This information is for this specific purpose only and should not be used for any other purpose.

Summary of CIF Structure

2.1 The States of Jersey – CIF was established by proposition P35/2010, lodged by the Minister. The proposition was entitled "Draft Public Finances (Transitional Provisions) (No.2) (Amendment) (Jersey) Regulations 2010. " The purpose of the proposition was to amend several existing regulations and to create a new regulation under the Public Finances (Transitional Provisions) (No.2) (Jersey) Regulations 2005 to enable the pooling of States Funds' assets for Investment Purposes. This was approved by the States of Jersey on 12th May 2010.

2.2 The purpose of the States of Jersey – CIF is to create an administrative arrangement which is open only to States Funds to provide them with the opportunity to pool their resources and benefit from greater investment opportunities and economies of scale.

2.3 The CIF objectives are:-

- To offer investment pools to States Funds to enable them to effectively carry out their investment strategies.
- For all States Funds to continue to control their own asset allocations under the current governance arrangements.
- Ensure the CIF operates effectively so as not to disadvantage any participating States Funds in relation to issuing of units and the monthly market valuation for those units. (Monthly unit valuation includes the allocation of monthly pool income and costs)
- To gain efficiencies in relation to the Investment Managers appointed; by benefiting from reduced number of Investment Manager appointments and reduced management of day to day relationships therefore resulting in lower administration overheads.
- To endeavour where feasible to increase the net return for all participating States Funds through economies of scale.

- To ensure CIF and participating States Funds performance is regularly reviewed and that it complies with internal rules; at all times ensuring adequate controls in place to manage its exposure of associated Investment and Operational risks.

2.4 The following investment pools will be available to States Funds participating in the CIF:-

Equity Pools
- Active Global Equity Pool
- Special Fund Equity pool

Fixed Income Pools
- Return Seeking Credit Pool
- UK Short Term Government Bond Pool

Cash Pools
- Long Term Cash and Cash Equivalents Pool

Alternative Investment Pools
- UK Pooled Property Pools
- Hedge Funds Pool
- Local Infrastructure Investments
- Opportunities Pool
- Alternative Risk Premia Pool

2.5 Each participating States Fund will hold units in the CIF's individual asset pools in line with their individual investment strategies.

2.6 States Funds will have the opportunity to invest in the CIF as permitted by their legislation/ Trust deeds.

2.7 The States Treasury and Exchequer is responsible for the administration of the CIF.

2.8 The pools will offer accumulation units only to participating States Funds and trading in units is only permitted monthly.

2.9 The following section outlines the investment approach of each respective CIF pool. Each pool is managed by an investment manager, or multiple managers, operating under a specific mandate stipulating investment objectives, limitations and conditions designed to manage both the scope of investment and risk/return characteristics of the pool. These underlying investment conditions are not detailed within the investment strategy document and are deemed to be part of the operational arrangements of the pool and may be subject to modification to respond to changing circumstance. These are outside the scope of the investment strategy and may be determined or modified by the Treasurer or delegate of the Treasurer.

2.10 Changes to the underlying mandate of any pool will be assessed against the investment approach detailed below. Any mandate changes deemed significant enough to modify the investment approach of the pool will require the States of Jersey investment strategies to be resubmitted to the States.

CIF – Investment Pool Strategies

Equity Pools:

3.1 Active Global Equity Pool
The Active Global Equity Pool contains a number of managers due to the expected high allocation to this asset class. Multiple managers are utilised to diversify manager risk and to ensure against over concentration with a single provider. The focus of the pool is to invest in global equities which are constituents of the MSCI All Country World Index, Emerging Markets as defined by the MSCI Emerging Market Index or similar global index. Manager may be permitted some flexibility to invest a small portion of its overall portfolio in equity from countries outside relevant Index or in cash when deemed desirable by the investment manager.

3.2 The pool seeks to generate returns which are in excess of those generated by the global market benchmark.

3.3 The Active Global Equity Pool seeks to earn long term returns by allocating its assets to a well-diversified mix of global equities, including emerging markets. Equity portfolios are expected to be higher risk pools than the fixed income pools as far as they are expected to demonstrated higher volatility in their valuations. During shorter periods of time, it is quite possible for the portfolio to produce lower returns than the risk reducing asset pools (bonds/cash). Therefore the equity portfolio is particularly appropriate for States Funds which choose to invest monies with a longer term horizon and therefore should serve as one of the main sources of long term portfolio growth.

3.4 The pool is permitted to purchase foreign exchange type derivatives such as forwards, primarily for the purpose of hedging, gaining cost effective exposure to countries within the index or in respect of the settlement of equity transactions/dividend receipts which are in currencies other than Sterling. Managers may also purchase derivatives for the purpose of gaining exposure to countries within the index in a cost effective manner, these exposures however are strictly controlled. Short selling of stocks is not permitted although TAP may allow managers to enter into arrangements to use defensive derivative strategies to protect the portfolio during periods of market stress.

3.5 Special Fund Equity Pool

In cases where tax structuring potentially precludes a States Fund from participating in one of the greater investment pools, a segregated unitised structure may be employed to ensure against tainting of the greater pool. In these cases the vehicle will reflect, to as great a degree as possible, the arrangements which exist in the greater pools. The Special Equity Pool provides a mix of active equity manager to allow those States Funds who cannot participate in the greater pools to benefit from active management without putting the greater pooling arrangement at risk.

3.6 The pool seeks to earn long term returns by allocating its assets to a well-diversified mix of UK and global equities. At the same time, the equity portfolio assumes a larger amount of risk. During shorter periods of time, it is quite possible for the portfolio to produce lower returns than the risk reducing asset pools (bonds/cash). Therefore the equity portfolio is particularly appropriate for States Funds which choose to invest monies with a longer term horizon and therefore should serve as one of the main sources of long term portfolio growth.

Fixed Income Pools:

4.1 Return Seeking Credit
The Return Seeking Credit Pool adopts a blended approach, applying a range of underlying strategies designed in combination to offer diversification benefits and complementary protection against different market environments in the short and long-term.

4.2 The pool is expected to provide a high degree of liquidity with the majority of underlying assets providing daily access.

4.3 The pool will initially include allocations to Multi Asset Credit, Asset Backed Securities and Absolute Return Bond strategies but may allocate to different fixed income strategies if market conditions dictate. Allocations to the underlying asset classes allow for rapid rebalancing to lower risk, defensive positions if conditions necessitate.

4.4 The pool is expected to target a total return of 4-5% per annum over the long term, and apply both alpha and beta driven strategies, with the intention of diversifying across a range of return drivers, and the ability to generate returns through income as well as capital appreciation.

4.5 A distributing version of the pool may be implemented for the purpose of facilitating the objectives of income distributing Funds (mainly charitable funds where distribution of income is an objective). Except for the condition that income is distributed rather than reinvested, characteristics of the pool will be identical to the ‘standard’ pool.

4.6 Government Bond Pools
The Short Term Government Bond Pool is invested in short dated debt issued by the UK government.

4.7 The pool is not actively managed but will passively follow an appropriate benchmark or a duration range.

4.8 The pool will seek to be 100% invested in sterling denominated debt of the UK government, holding cash only on a transitional basis between gilt purchases and withdrawals from the pool.

4.9 The pool is not permitted to trade in derivatives such as options or futures.

Cash Pools:

5.1 Long Term Cash and Cash Equivalents Pool
The Long Term Cash and Cash Equivalents Pool will invest in cash and cash equivalent type instruments including cash deposits, commercial paper, Treasury bills, certificates of deposit and floating rate notes. The long term cash pool is expected to produce higher returns than the operational short-term cash as it is able to purchase instruments with a longer maturity, though the rate of return for this pool is expected to vary with available interest rates.

5.2 The pool seeks to generate returns which are in excess of short term SONIA.

5.3 The pool has a strict mandate to ensure placements by the manager can only be made with institutions with a sufficiently high credit rating.

5.4 If assets fall below a minimum credit rating they must be sold by the manager unless specific exemption is granted by the Treasurer.

5.5 The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

5.6 No off-balance sheet vehicles, foreign exchange exposure, convertible bonds or investments which suffer withholding tax are permitted.

Alternative Investment Pools:

6.1 Alternative investments are an alternative asset class compared to “traditional” types of investments which States Funds can invest in. Examples of traditional investments are equities, bonds and cash and cash equivalents.

6.2 UK Pooled Property Pools
The UK Pooled Property Pools are to invest in existing investment vehicles investing both directly and indirectly in UK property; this will allow diversification across a portfolio of properties without acquiring and holding property directly. The property portfolio will focus on commercial property investing principally but not exclusively in the retail, office, and industrial/warehouse sectors. The pools are permitted some flexibility to invest a small portion of their overall portfolio in cash when deemed desirable by the investment managers.

6.3 The pools seek to generate returns which are in excess of appropriate UK property benchmarks.

6.4 The property pools seek to earn an income return and long term capital returns by allocating assets either directly or indirectly where the managers believe that over the medium term occupational demand for accommodation will be strong or supply restricted, thus providing the foundation for good relative rental growth and consequently enhanced capital values. During shorter periods of time, it is quite possible for the portfolio to produce lower returns than the risk reducing asset pools (bonds/cash). Combined with reduced liquidity due limits placed on redemptions the portfolio is particularly appropriate for States Funds which choose to invest monies with a longer term horizon.

6.5 The pool is not permitted to trade in derivatives such as options or futures, although the underlying funds may have exposure to derivatives.

6.6 Hedge Fund Pool
The Hedge Fund Pool is structured as a portfolio of single strategy hedge funds with 8-15 hedge funds appointed directly to the Pool. The combination of managers is designed to provide desired characteristics for the pool as a whole.

6.7 The combination of managers is designed to provide a target return of SONIA + 4-6% while providing protection in downturns and exhibiting low correlation with equity class assets.

6.8 To ensure appropriate diversification of manager risk the portfolio is to contain an allocation to a minimum of 8 hedge fund managers. The pool may transitionally hold less than 8 managers during construction of the pool or through removal of a manager. In this case the matter must be raised to the attention of the TAP who will recommend steps to ensure risk is managed.

6.9 Some of the hedge fund positions incorporate lock in conditions limiting immediate liquidity, participating States Funds invested in the pool are aware that such restraints may prevent monthly trading and consideration of these constraints is made at a strategy level before investment in the pool is made.

6.10 The pool is permitted to purchase foreign exchange type derivatives such as forwards, for the purpose of hedging non-GBP investments back to Sterling. Individual managers may make use of derivatives as part of their investment processes.

6.11 Local Infrastructure Investment
The Local Infrastructure Investment Pool includes opportunistic allocations to low risk local infrastructure projects. These projects may include a diverse range of potential opportunities including local housing projects and government infrastructure projects.

6.12 Individual projects will be assessed for appropriateness by the Treasury and Investment Management Team, reviewed by the TAP and approved at the Ministerial Level.

6.13 Each project will be contracted separately for a defined timescale, projects are considered from investment perspective and provide a better risk/return profile than would be otherwise available through conventional assets.

6.14 Examples of appropriate projects would include investments in Parish affordable housing construction projects. A proportion of funding for schemes could be supplied through States investment, where investment terms and risk are deemed appropriate. This would provide social benefit to the island, cost effective funding and a superior rate of investment return than would be available from equivalent low risk assets.

6.15 Current local infrastructure investments include:

- An investment in liquid waste infrastructure issued by the Currency Fund in 2019.
- An investment in the New States Office issued by the Social Security (Reserve) Fund planned for 2025.

6.16 Examples of appropriate projects could include investments in Parish affordable housing construction projects or critical infrastructure which could provide contractual cash flows. A proportion of funding for schemes could be supplied through States investment, where investment terms and risk are deemed appropriate. This would provide social benefit to the island, cost effective funding and a superior rate of investment return than would be available from equivalent low risk assets.

6.17 Opportunities Pools
The Opportunities Pools invest in non-traditional asset classes which seek to generate long term growth but are expected to be less correlated with other growth class assets such as equities.

6.18 The portfolios will seek to access the illiquidity premium associated with investing in asset classes that require money to be locked up for a period of time, or have barriers to entry such as high initial transaction costs

6.19 The assets in the opportunities portfolio are expected to be ‘closed ended’ and therefore illiquid investments, which means that they are not suitable for all participating States Funds. The time horizon over which the investment is expected to perform is far longer than other asset classes and will require commitments to be made over a significant period.

6.20 Because of the structure of these investment classes, commitments will be drawn slowly as opportunities are identified by the managers. The Opportunities Pools will therefore build up over time as opposed to being fully funded at outset.

6.21 Because of the long drawdown period, the appointment of managers will be staggered over time to allow diversification over vintages and to allow the total value of drawn capital to be managed. Commitments will need to be made by participating States Funds on entrance into the pools with the understanding that additional managers will be appointed over time.

6.22 Appropriate manager classes will be determined based upon conditions at the time of appointment and are expected to include property debt, direct lending, and infrastructure. Manager appointment is expected to be staggered over time in order to achieve diversification over both source of return and vintage.

6.23 The pools are permitted to purchase foreign exchange type derivatives such as forwards, for the purpose of hedging non-GBP investments back to Sterling.

6.24 Alternative Risk Premia Pool
The Alternative Risk Premia (ARP) Pool seeks to invest in funds exploiting, on a long and a short basis, persistent market anomalies which are expected to generate value through long term exposure.

6.25 ARP is expected to be active across a wide range of asset classes including, but not limited to, equities, currencies, and commodities. These strategies are expected to perform well in a variety of market environments and have low correlation to traditional sources of returns.

6.26 Although ARP is expected to exhibit low correlation with traditional sources of return it is expected to generate a relatively high level of volatility reflecting a target return in line with the hedge fund pool. Because strategies are designed to extract various risk premia from markets, if those premia are negative they will experience negative performance. Investors should therefore be prepared to accept periods of underperformance and maintain exposure over a longer time frame to extract value.

6.27 The expected approach of ARP is similar to hedge funds applying strategies seeking to exploit momentum, value, and carry but applies exposure in a systematic manner, to minimise fees. Unlike the hedge fund pool which is expected to have lock in conditions and reduced liquidity ARP is expected to retain a high degree of ongoing liquidity.

6.28 The pool is permitted to purchase foreign exchange type derivatives such as forwards, for the purpose of hedging non-GBP investments back to Sterling. Individual managers may make use of derivatives as part of their investment processes.